



## Cyprus Indirect Tax News

### New VAT Circular relevant to rental property owners

On 24 March 2025, the Tax Commissioner issued [Circular 2/2025](#) (“the Circular”), which provides guidelines for rental property owners who have **not** previously exercised their **option** to exempt their rented or leased immovable properties from VAT.

#### Key Insights from the Circular

##### *Background*

- The renting and/or leasing of immovable property to a taxable person for the purposes of carrying on their taxable activities is subject to VAT at the standard rate (currently at 19%). Residential properties are excluded.

The above provisions apply to lease agreements which are concluded or renewed (not automatically) on or after the effective date of the law, i.e. 13 November 2017.

- Rental property owners / lessors have the right to **opt** for the non-imposition of VAT on the rented / leased immovable property under certain conditions. To exercise this option, the lessor should notify the Tax Commissioner by submitting form TD1220 within 30 days from the signing of the lease agreement.

#### *Notification of non-taxation*

- The Circular allows rental property owners / lessors, who have not previously exercised their option to not charge VAT for lease agreements concluded or renewed (not automatically) on or after 13 November 2017, to notify the Tax Commissioner of their choice by submitting form TD1220 by 31 December 2025, subject to the following conditions:
  1. The lessor has not previously submitted form TD1220 and has not charged VAT on the lease, and
  2. The lessor has complied with all direct tax obligations related to the lease, including income tax, GHS contribution and Special Defence Contribution.
- The Circular specifically excludes leases where the lessor has previously charged VAT to a taxable person engaged in taxable activities, who had the right to deduct the input VAT charged by the lessor.
- TD1220 form is a notification to the Tax Commissioner of the decision of the property owners / lessors to exempt their properties from VAT and not a request for approval by the Tax Commissioner.

#### *Future compliance*

- The Circular is valid until 31 December 2025. From 1 January 2026, lessors should notify the Tax Commissioner of their choice for non-taxation within 30 days from the signing of the lease agreement, by submitting form TD1220. The Tax Commissioner may grant extensions for submissions beyond the 30-day period if necessary.

#### **How can we help?**

We are at your disposal to discuss the above development.

#### **Get in touch**

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